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Exhibit R-2, RDT&E Budget Item Justification							Date: February 2005	
Appropriation/Budget Activity RDT&E/Defense Wide BA7				R-1 Item Nomenclature: NATO Alliance Ground Surveillance (NATO AGS), PE 1001018D8Z				
Cost (\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total PE Cost	21.475	29.689	25.474	41.268	52.593	56.496	61.588	71.887
<p>A. Mission Description and Budget Item Justification:</p> <p>(U) This project supports the U.S. share of the cost for NATO to acquire a ground surveillance capability similar to what their owned and operated Airborne Warning and Control System (AWACS) provides for air surveillance.</p> <p>(U) The North Atlantic Council (NAC) validated the requirement in 1995 for a NATO-owned and operated core air-to-ground surveillance capability supplemented by interoperable national assets. Since then, the Major NATO Commanders have consistently made Alliance Ground Surveillance (AGS) their number one equipment acquisition priority.</p> <ul style="list-style-type: none">• October 1997, NATO Conference of National Armaments Directors (CNAD) approved AGS NATO Staff Requirement (NSR)• April 1999, NATO Washington Summit <i>Defense Capabilities Initiatives</i> (DCI) included need for a NATO-owned and operated core system for ground surveillance• September 2001, Reinforced NAC (RNAC) re-affirmed need for a NATO-owned and operated AGS capability by 2010• November 2002, NATO Prague Summit approved <i>Prague Capabilities Commitment</i> (PCC) that includes an airborne ground surveillance capability• December 2003, AGS Steering Committee approved in principle the merger of NATO AGS and the Trans-Atlantic Cooperative AGS Radar (TCAR) sensor projects.• May 2004, CNAD endorsed the Trans-Atlantic Industrial Proposed Solution consortium’s selection as the program of record to enter the Design and Development Phase. The TCAR team was directed to merge with the AGS program. <p>(U) In May 2004, the NATO AGS Steering Committee approved an updated Master Schedule supporting a 2010 Initial Operating Capability (IOC) with Full Operational Capability (FOC) by 2013.</p>								

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(U) FY 2004 Accomplishments:

Program Activities:

- Review, coordination, and staffing of Procurement Strategy for NATO AGS
- Began planning the Risk Reduction Study for the NATO AGS system
- Review, coordination, and approval of interoperability testing between NATO AGS surrogates, Joint STARS, and ASTOR systems.
- Analyses of program's radar design and integration plans for the TCAR radar
- Multinational memorandum of understanding drafted and staffed at working level
- Request for proposal drafted and staffed at working level
- Supported key International Summits and Conferences of National Armaments Directors
- Conducted follow-on feasibility analysis for trans-Atlantic development of the TCAR radar
- Attended four NATO AGS Steering Committee meetings

(U) FY 2005 Plans:

Program Activities:

- Restructure the program based on PBD 753 cuts
- Execute the initial stages of the Procurement Strategy
- Staff the Design and Development MOU
- Prepare the Design and Development contract
- Develop the SOW for the Design and Development phase
- Complete the RFP for the Design and Development phase
- Complete the Risk Reduction Study
- Secure additional funding based on establishing an executable program
- Continue interoperability efforts with the Joint STARS and ASTOR programs
- Participate in AGS Steering Committee and TCAR Executive Committee meetings

(U) FY 2006 Plans:

Program Activities:

- Execute Design and Development contract
- Participate in affordability and technical Working Groups.
- Improve and expand NATO alliance relationships relative to the industrial co-development.
- Ensure ministerial support for AGS continues
- Oversee integration testing and design work putting the TCAR radar onto the manned and unmanned platforms
- Oversee design and integration work on the ground elements of the AGS system

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- Secure Congressional approval to enter into the MOU and sign Design and Development contracts

(U) FY 2007 Plans:

T&E Independent Activities:

- Provide for a professional user interface to the NATO AGS program office
- Provide radar engineers to the AGS program office
- Continue executing Design and Development Phase.
- Participate in technical and operational Working Groups.
- Improve and expand industry and professional association with NATO allies
- Address Congressional, GAO, IG Actions regarding program issues as they arise
- Ensure effective oversight of the program is provided by continuing to participate in the AGS Steering Committee

B. Program Change Summary:

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY2007</u>
Previous President's Budget	24.363	30.399	29.547	85.743
Current FY 2006 President's Budget	21.475	29.689	25.474	41.268
Total Adjustments	-2.888	-0.710	-4.073	-44.475
Congressional program reductions		-0.710		
Congressional rescissions				
Congressional increases				
Reprogrammings	-2.888		-4.073	-44.475
SBIR/STTR Transfer				
Other				

C. Other Program Funding Summary: N/A

D. Acquisition Strategy. Pending Department and Congressional approval, the U.S. will sign a Multi-national Memorandum of Understanding (MMOU) committing the government to NATO-derived shares of the Design and Development Phase in September 2005. The MMOU will support the contract and acquisition strategy now under development at the NATO AGS Support Staff in Brussels. FY 2005 funds will fund the U.S. share of a NATO AGS Risk Reduction Study.

E. Performance Metrics. NATO issues Calls for Funds generally quarterly, but often “as needed” to support its management agency decisions as they occur. Funding profile reflects anticipated US contribution that will be transferred via MIPR. The metric correlates anticipated Calls for Funds with actual MIPRs cut. Ideally, four planned calls generate four planned MIPRs. If the planned number of calls does not happen, the funding profile could be altered, and the MIPR planned workload could be altered.

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